

Bell Atlantic
1300 I Street N.W.
Suite 400W
Washington, DC 20005

EX PARTE OR LATE FILED



July 30, 1998

Ex Parte

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
1919 M Street, N.W. - Room 222
Washington, D.C. 20554

RECEIVED

JUL 30 1998

U.S. DEPARTMENT OF JUSTICE
FEDERAL BUREAU OF INVESTIGATION

Re: **CC Docket Nos 96-45 & 97-160**

Dear Ms. Salas:

On Tuesday, July 28, 1998 Mr. Ken Rust, Mr. Vin Callahan, and I representing Bell Atlantic, met with Ms. Emily Hoffner and Mr. Jeff Prisbrey of the Common Carrier Bureau. Our discussion took place in Seattle, Washington during the NARUC Summer Meeting and it concerned the filing made by Bell Atlantic on May 15 in the items captioned above. The attached material served as the basis for the presentation during this meeting.

Any questions on this filing should be directed to me at 202-336-7875 or at the address shown above.

Sincerely,

A handwritten signature in cursive script that reads 'Tracy Chaney'.

Attachments

cc: Ms. Emily Hoffner
Mr. Jeff Prisbrey

Bell Atlantic's Modifications to the Ad Hoc Proposal

- Bell Atlantic's modifications to Ad Hoc's Proposal were filed at the Federal Communications Commission on May 15, 1998. The Bell Atlantic proposal provides a reasonable alternative to maintain high cost funding at the existing level (\$1.7B) as opposed to alternative proposals that suggest funding above \$6B. This proposal is consistent with Bell Atlantic's policy of developing a sufficient fund that is targeted to states. In addition, these modifications address significant cost differences among states and minimize the flow between the states.
- Attachment 1 provides a summary of the modified federal Universal Service Fund by state.

The following are the highlights of Bell Atlantic's proposed modifications to the Ad Hoc platform:

- Produces a fund size of approximately \$1.7B, which includes LTS, high cost and DEM. Ad Hoc's high cost proposal produces a fund size of approximately \$2.3B when Long Term Support (LTS) is added back into their high cost results.
- This plan uses a statewide weighted average of 50% actual cost and 50% forward-looking cost (a combined HAI 5.0a and BCPM 3.1).
 - Use of any one proxy model carries a significant risk of over-estimating or under-estimating the amount of high-cost support that is needed. (Attachment 4)
 - Averaging of the proxy models and combining with actual costs results in no one proxy model weighted more than 25% and smoothes out the variances between models.
 - Calculating statewide costs further mitigates the large variances associated with smaller geographical areas.
 - In contrast, the Ad Hoc proposal now uses the latest Hatfield Model (HAI 5.0a), which tends to underestimate forward-looking costs.
- Incorporates the current threshold cost benchmark of 115% of the nationwide average cost to determine today's high cost fund to recover all costs above the benchmark. Revenues vary depending upon state pricing policies, while costs remain relatively stable. As such, the benchmark should be based on statewide average costs and not revenues.
- The plan provides for different transition plans for rural and non-rural companies.
 - Non-rural companies are defined as operating companies with greater than 100K lines at the statewide level and/or companies having 1 million or more lines at the holding company level.
 - The change in universal service funding for non-rural companies is phased in over three years. Current funding levels are not maintained indefinitely.
 - Rural companies support continues at current levels for at least three years. The FCC will evaluate rural companies in a separate proceeding.

- The Bell Atlantic modifications will keep insular, high cost areas such as Alaska, Hawaii, Guam, Puerto Rico, Micronesia, and the Virgin Islands at current funding levels. The basis for this decision is that forward-looking models either do not calculate costs for these areas or have not yet incorporated the costs associated with all of their operating companies.

Bell Atlantic's modifications to Ad Hoc's Proposal provide the following benefits:

- Keeps the fund to a sufficient and manageable size, and would not place an excessive burden on ratepayers or cause massive revenue shifts.
- Better targets high-cost states.
- Maintains federal/state partnership.
- Provides for a transition to allow policymakers and companies to adjust.
- Creates a simple plan that can be implemented by January 1999.

50% Combined and 50% Embed. AMC
Benchmark = \$35 (115%)

BA Proposal

Attachment 1
USF Calculations USAC Loops

| State | Current Support | Proposed Support | Change Over 3 Years |
|-------------|-----------------|------------------|---------------------|
| AK | \$62,597.604 | \$62,597.604.00 | \$0 |
| AL | \$39,274.860 | \$25,386,868.98 | (\$13,887,991) |
| AR | \$70,701.192 | \$95,034,805.20 | \$24,333,613 |
| AZ | \$28,723.608 | \$10,189,632.00 | (\$18,533,976) |
| CA | \$55,285.308 | \$30,822,924.00 | (\$24,462,384) |
| CO | \$45,893.436 | \$41,073,084.00 | (\$4,820,352) |
| CT | \$1,399.680 | \$1,399,680.00 | \$0 |
| DC | \$0 | \$0.00 | \$0 |
| DE | \$0 | \$0.00 | \$0 |
| FL | \$24,235.140 | \$16,963,092.00 | (\$7,272,048) |
| GA | \$72,279,888 | \$49,460,556.00 | (\$22,819,332) |
| HI | \$897,516 | \$897,516.00 | \$0 |
| IA | \$27,500.136 | \$29,098,288.80 | \$1,598,153 |
| ID | \$28,936.632 | \$22,774,255.92 | (\$6,162,376) |
| IL | \$21,584,928 | \$19,964,484.00 | (\$1,620,444) |
| IN | \$16,500,984 | \$15,503,484.00 | (\$997,500) |
| KS | \$57,721,656 | \$42,639,098.31 | (\$15,082,558) |
| KY | \$25,611,804 | \$43,266,057.12 | \$17,654,253 |
| LA | \$67,614,840 | \$65,039,544.00 | (\$2,575,296) |
| MA | \$417,600 | \$417,600.00 | \$0 |
| MD | \$588,636 | \$588,636.00 | \$0 |
| ME | \$16,551,732 | \$34,744,957.02 | \$18,193,225 |
| MI | \$33,670,200 | \$29,644,908.00 | (\$4,025,292) |
| MN | \$37,414,656 | \$33,343,980.00 | (\$4,070,676) |
| MO | \$50,440,560 | \$28,167,648.00 | (\$22,272,912) |
| MS | \$28,165,488 | \$101,906,173.71 | \$73,740,686 |
| MT | \$44,155,068 | \$67,481,716.05 | \$23,326,648 |
| NC | \$40,577,496 | \$22,666,872.00 | (\$17,910,624) |
| ND | \$21,197,016 | \$41,029,121.16 | \$19,832,105 |
| NE | \$19,706,664 | \$44,781,344.10 | \$25,074,680 |
| NH | \$9,046,716 | \$8,177,904.00 | (\$868,812) |
| NJ | \$3,282,276 | \$1,153,296.00 | (\$2,128,980) |
| NM | \$35,243,244 | \$37,201,343.40 | \$1,958,099 |
| NV | \$8,859,732 | \$7,675,524.00 | (\$1,184,208) |
| NY | \$37,931,772 | \$24,083,412.00 | (\$13,848,360) |
| OH | \$14,766,612 | \$14,766,612.00 | \$0 |
| OK | \$59,899,752 | \$45,769,176.00 | (\$14,130,576) |
| OR | \$37,091,748 | \$34,728,912.00 | (\$2,362,836) |
| PA | \$25,552,656 | \$15,280,380.00 | (\$10,272,276) |
| PR | \$145,852,320 | \$145,852,320.00 | \$0 |
| RI | \$0 | \$0.00 | \$0 |
| SC | \$45,209,328 | \$35,665,489.62 | (\$9,543,838) |
| SD | \$16,806,792 | \$44,630,724.15 | \$27,823,932 |
| TN | \$27,766,632 | \$27,766,632.00 | \$0 |
| TX | \$124,215,300 | \$91,359,504.00 | (\$32,855,796) |
| UT | \$8,403,012 | \$8,403,012.00 | \$0 |
| VA | \$13,671,552 | \$8,995,884.00 | (\$4,675,668) |
| VT | \$11,843,472 | \$27,791,154.72 | \$15,947,683 |
| WA | \$43,494,372 | \$17,281,152.00 | (\$26,213,220) |
| WI | \$51,445,152 | \$45,912,648.00 | (\$5,532,504) |
| WV | \$21,184,260 | \$64,393,745.31 | \$43,209,485 |
| WY | \$21,358,524 | \$29,272,605.21 | \$7,914,081 |
| St. DC & PR | \$1,702,569,552 | \$1,713,045,361 | \$10,475,809 |
| GU | \$1,065,924 | \$1,065,924 | \$0 |
| MCR | \$4,910,796 | \$4,910,796 | \$0 |
| VI | \$16,245,684 | \$16,245,684 | \$0 |
| Total | \$1,724,791,956 | \$1,735,267,765 | \$10,475,809 |

Proposed Modifications to Ad Hoc's Plan

Attachment 1

| A | B | C | D | E | F | G | H |
|----------------------|------------------|--|-----------------------------------|------------------------------|---|------------------|---------------------|
| USAC Loops & Subsidy | | | | Calc. New Statewide USF Sub. | | | |
| State | Sum of USF Loops | Current Statewide Subsidy Annualized (USF, DEM, LTS) | Hold Harmless for Small Companies | 50% Comb & 50% Actual AMC | New Statewide USF using 50% Comb & 50% Actual AMC | Proposed Support | Change over 3 Years |
| AK | 377,416 | \$62,597,604 | \$62,597,604 | \$36.50 | \$62,597,604.00 | \$62,597,604 | \$0 |
| AL | 2,312,101 | \$39,274,860 | \$22,682,400 | \$36.22 | \$25,386,868.98 | \$25,386,869 | (\$13,887,991) |
| AR | 1,318,280 | \$70,701,192 | \$36,147,528 | \$43.01 | \$95,034,805.20 | \$95,034,805 | \$24,333,613 |
| AZ | 2,541,549 | \$28,723,608 | \$10,189,632 | \$32.02 | \$0.00 | \$10,189,632 | (\$18,533,976) |
| CA | 20,809,546 | \$55,285,308 | \$30,822,924 | \$24.56 | \$0.00 | \$30,822,924 | (\$24,462,384) |
| CO | 2,452,764 | \$45,893,436 | \$41,073,084 | \$34.23 | \$0.00 | \$41,073,084 | (\$4,820,352) |
| CT | 2,010,578 | \$1,399,680 | \$1,399,680 | \$30.17 | \$0.00 | \$1,399,680 | \$0 |
| DC | 901,311 | \$0 | \$0 | \$17.43 | \$0.00 | \$0 | \$0 |
| DE | 507,860 | \$0 | \$0 | \$24.95 | \$0.00 | \$0 | \$0 |
| FL | 9,897,855 | \$24,235,140 | \$16,963,092 | \$29.14 | \$0.00 | \$16,963,092 | (\$7,272,048) |
| GA | 4,513,317 | \$72,279,888 | \$49,460,556 | \$34.35 | \$0.00 | \$49,460,556 | (\$22,819,332) |
| HI | 693,630 | \$897,516 | \$897,516 | \$32.09 | \$897,516.00 | \$897,516 | \$0 |
| IA | 1,539,592 | \$27,500,136 | \$25,868,916 | \$37.10 | \$29,098,288.80 | \$29,098,289 | \$1,598,153 |
| ID | 642,252 | \$28,936,632 | \$16,425,936 | \$38.94 | \$22,774,255.92 | \$22,774,256 | (\$6,162,376) |
| IL | 7,714,111 | \$21,584,928 | \$19,964,484 | \$26.11 | \$0.00 | \$19,964,484 | (\$1,620,444) |
| IN | 3,342,142 | \$16,500,984 | \$15,503,484 | \$30.62 | \$0.00 | \$15,503,484 | (\$997,500) |
| KS | 1,523,369 | \$57,721,656 | \$39,261,888 | \$38.11 | \$42,639,098.31 | \$42,639,098 | (\$15,082,558) |
| KY | 1,986,504 | \$25,611,804 | \$11,208,288 | \$37.42 | \$43,266,057.12 | \$43,266,057 | \$17,654,253 |
| LA | 2,340,006 | \$67,614,840 | \$65,039,544 | \$35.05 | \$1,053,002.70 | \$65,039,544 | (\$2,575,296) |
| MA | 4,273,186 | \$417,600 | \$417,600 | \$26.88 | \$0.00 | \$417,600 | \$0 |
| MD | 3,344,003 | \$588,636 | \$588,636 | \$25.98 | \$0.00 | \$588,636 | \$0 |
| ME | 775,211 | \$16,551,732 | \$16,335,516 | \$39.98 | \$34,744,957.02 | \$34,744,957 | \$18,193,225 |
| MI | 6,028,449 | \$33,670,200 | \$29,644,908 | \$28.34 | \$0.00 | \$29,644,908 | (\$4,025,292) |
| MN | 2,773,994 | \$37,414,656 | \$33,343,980 | \$32.61 | \$0.00 | \$33,343,980 | (\$4,070,676) |
| MO | 3,192,721 | \$50,440,560 | \$28,167,648 | \$34.95 | \$0.00 | \$28,167,648 | (\$22,272,912) |
| MS | 1,270,809 | \$28,165,488 | \$16,627,044 | \$43.91 | \$101,906,173.71 | \$101,906,174 | \$73,740,686 |
| MT | 488,467 | \$44,155,068 | \$42,809,556 | \$50.35 | \$67,481,716.05 | \$67,481,716 | \$23,326,648 |
| NC | 4,453,425 | \$40,577,496 | \$22,666,872 | \$34.42 | \$0.00 | \$22,666,872 | (\$17,910,624) |
| ND | 393,678 | \$21,197,016 | \$21,197,016 | \$46.58 | \$41,029,121.16 | \$41,029,121 | \$19,832,105 |
| NE | 958,710 | \$19,706,664 | \$18,646,644 | \$40.19 | \$44,781,344.10 | \$44,781,344 | \$25,074,680 |
| NH | 770,057 | \$9,046,716 | \$8,177,904 | \$34.53 | \$0.00 | \$8,177,904 | (\$868,812) |
| NJ | 5,894,627 | \$3,282,276 | \$1,153,296 | \$23.25 | \$0.00 | \$1,153,296 | (\$2,128,980) |
| NM | 862,940 | \$35,243,244 | \$26,002,800 | \$39.79 | \$37,201,343.40 | \$37,201,343 | \$1,958,099 |
| NV | 1,122,489 | \$8,859,732 | \$7,675,524 | \$25.88 | \$0.00 | \$7,675,524 | (\$1,184,208) |
| NY | 12,308,488 | \$37,931,772 | \$24,083,412 | \$29.56 | \$0.00 | \$24,083,412 | (\$13,848,360) |
| OH | 6,488,115 | \$14,766,612 | \$14,766,612 | \$29.23 | \$0.00 | \$14,766,612 | \$0 |
| OK | 1,869,687 | \$59,899,752 | \$45,769,176 | \$37.69 | \$45,265,122.27 | \$45,769,176 | (\$14,130,576) |
| OR | 1,909,459 | \$37,091,748 | \$34,728,912 | \$33.79 | \$0.00 | \$34,728,912 | (\$2,362,836) |
| PA | 7,669,723 | \$25,552,656 | \$15,280,380 | \$25.86 | \$0.00 | \$15,280,380 | (\$10,272,276) |
| PR | 1,188,082 | \$145,852,320 | \$145,852,320 | \$38.85 | \$145,852,320.00 | \$145,852,320 | \$0 |
| RI | 625,327 | \$0 | \$0 | \$27.68 | \$0.00 | \$0 | \$0 |
| SC | 2,042,697 | \$45,209,328 | \$28,352,844 | \$36.94 | \$35,665,489.62 | \$35,665,490 | (\$9,543,838) |
| SD | 395,137 | \$16,806,792 | \$16,806,792 | \$47.55 | \$44,630,724.15 | \$44,630,724 | \$27,823,932 |
| TN | 3,161,392 | \$27,766,632 | \$27,766,632 | \$33.42 | \$0.00 | \$27,766,632 | \$0 |
| TX | 11,286,718 | \$124,215,300 | \$91,359,504 | \$32.34 | \$0.00 | \$91,359,504 | (\$32,855,796) |
| UT | 1,022,290 | \$8,403,012 | \$8,403,012 | \$30.62 | \$0.00 | \$8,403,012 | \$0 |
| VA | 4,166,624 | \$13,671,552 | \$8,995,884 | \$29.63 | \$0.00 | \$8,995,884 | (\$4,675,668) |
| VT | 380,284 | \$11,843,472 | \$9,869,256 | \$43.12 | \$27,791,154.72 | \$27,791,155 | \$15,947,683 |
| WA | 3,333,124 | \$43,494,372 | \$17,281,152 | \$31.40 | \$0.00 | \$17,281,152 | (\$26,213,220) |
| WI | 3,172,890 | \$51,445,152 | \$45,912,648 | \$30.36 | \$0.00 | \$45,912,648 | (\$5,532,504) |
| WV | 930,411 | \$21,184,260 | \$3,124,524 | \$42.69 | \$64,393,745.31 | \$64,393,745 | \$43,209,485 |
| WY | 272,633 | \$21,358,524 | \$16,614,036 | \$46.93 | \$29,272,605.21 | \$29,272,605 | \$7,914,081 |
| St. DC & PR | 166,250,030 | \$1,702,569,552 | \$1,293,928,596 | \$30.36 | \$1,042,763,314 | \$1,713,045,360 | \$10,475,808 |
| GU | 0 | \$1,065,924 | \$1,065,924 | n/a | \$1,065,924 | \$1,065,924 | \$0 |
| MCR | 18,837 | \$4,910,796 | \$4,910,796 | n/a | \$4,910,796 | \$4,910,796 | \$0 |
| VI | 58,315 | \$16,245,684 | \$16,245,684 | n/a | \$16,245,684 | \$16,245,684 | \$0 |
| Total | 166,327,182 | \$1,724,791,956 | \$1,316,151,000 | n/a | \$1,064,985,718 | \$1,735,267,764 | \$10,475,808 |

Impact Summary By State
Benchmark = \$35 (115%)

Attachment 2
USF Results

| State | Increased Level of Funding |
|-------|----------------------------|
| MS | \$73,740,686 |
| WV | \$43,209,485 |
| SD | \$27,823,932 |
| NE | \$25,074,680 |
| AR | \$24,333,613 |
| MT | \$23,326,648 |
| ND | \$19,832,105 |
| ME | \$18,193,225 |
| KY | \$17,654,253 |
| VT | \$15,947,683 |
| WY | \$7,914,081 |
| NM | \$1,958,099 |
| IA | \$1,598,153 |

| State | No Impact on Funding |
|-------|----------------------|
| AK | \$0 |
| CT | \$0 |
| DC | \$0 |
| DE | \$0 |
| HI | \$0 |
| MA | \$0 |
| MD | \$0 |
| OH | \$0 |
| PR | \$0 |
| RI | \$0 |
| TN | \$0 |
| UT | \$0 |

Impact Summary By State
Benchmark = \$35 (115%)

Attachment 2
USF Results

| State | Decreased Level of Funding |
|-------|----------------------------|
| NH | (\$868,812) |
| IN | (\$997,500) |
| NV | (\$1,184,208) |
| IL | (\$1,620,444) |
| NJ | (\$2,128,980) |
| OR | (\$2,362,836) |
| LA | (\$2,575,296) |
| MI | (\$4,025,292) |
| MN | (\$4,070,676) |
| VA | (\$4,675,668) |
| CO | (\$4,820,352) |
| WI | (\$5,532,504) |
| ID | (\$6,162,376) |
| FL | (\$7,272,048) |
| SC | (\$9,543,838) |
| PA | (\$10,272,276) |
| NY | (\$13,848,360) |
| AL | (\$13,887,991) |
| OK | (\$14,130,576) |
| KS | (\$15,082,558) |
| NC | (\$17,910,624) |
| AZ | (\$18,533,976) |
| MO | (\$22,272,912) |
| GA | (\$22,819,332) |
| CA | (\$24,462,384) |
| WA | (\$26,213,220) |
| TX | (\$32,855,796) |

Non-Rural Holding Companies

1 Million or More USAC Loops
Nationally

| Holding Company Name | USAC Loops |
|--------------------------------|------------|
| BELL ATLANTIC | 38,042,224 |
| SOUTHWESTERN BELL | 31,551,489 |
| BELLSOUTH | 22,079,006 |
| AMERITECH | 19,686,102 |
| GTE CORPORATION | 17,403,205 |
| US WEST | 15,118,481 |
| SPRINT | 7,134,587 |
| SOUTHERN NEW ENGLAND TELEPHONE | 1,990,248 |
| ALLTEL SERVICE CORP | 1,634,560 |
| PUERTO RICO TEL CO | 1,188,082 |

100k - 1 Million USAC Loops Nationally

| Holding Company Name | USAC Loops |
|----------------------------|------------|
| FRONTIER CORPORATION | 976,115 |
| CINCINNATI BELL | 941,316 |
| CITIZENS UTILITIES | 864,563 |
| PACIFIC TELECOM INC | 514,808 |
| TDS TELECOM | 477,695 |
| CENTURY TELEPHONE | 468,815 |
| ALIANTE COMMUNICATIONS CO. | 269,410 |
| COMMONWEALTH TEL CO | 239,060 |
| ANCHORAGE TEL UTILITY | 157,299 |
| NORTH STATE TEL CO | 111,774 |
| ROSEVILLE TEL CO | 103,468 |
| ROCK HILL TELEPHONE | 101,747 |

Comparison of HAI 5.0a and BCPM 3.1 Model Results By State

Attachment 4

| State | Current Statewide Subsidy, Annual (USF, DEM, LTS) | BCPM 3.1 Cost Above 115% of Average | HAI 5.0a Cost Above 115% of Average |
|-------------|---|--|--|
| AK | \$62,597,604 | \$0 | \$0 |
| AL | \$39,274,860 | \$152,168,495 | \$126,992,274 |
| AR | \$70,701,192 | \$218,950,068 | \$116,228,336 |
| AZ | \$28,723,608 | \$0 | \$0 |
| CA | \$55,285,308 | \$0 | \$0 |
| CO | \$45,893,436 | \$0 | \$0 |
| CT | \$1,399,680 | \$0 | \$0 |
| DC | \$0 | \$0 | \$0 |
| DE | \$0 | \$0 | \$0 |
| FL | \$24,235,140 | \$0 | \$0 |
| GA | \$72,279,888 | \$0 | \$0 |
| HI | \$897,516 | \$0 | \$0 |
| IA | \$27,500,136 | \$214,800,159 | \$111,552,492 |
| ID | \$28,936,632 | \$49,199,630 | \$59,249,906 |
| IL | \$21,584,928 | \$0 | \$0 |
| IN | \$16,500,984 | \$0 | \$0 |
| KS | \$57,721,656 | \$75,400,422 | \$112,197,939 |
| KY | \$25,611,804 | \$134,792,841 | \$63,198,388 |
| LA | \$67,614,840 | \$0 | \$0 |
| MA | \$417,600 | \$0 | \$0 |
| MD | \$588,636 | \$0 | \$0 |
| ME | \$16,551,732 | \$54,065,464 | \$58,096,845 |
| MI | \$33,670,200 | \$0 | \$0 |
| MN | \$37,414,656 | \$45,280,654 | \$63,792,371 |
| MO | \$50,440,560 | \$113,621,889 | \$71,267,931 |
| MS | \$28,165,488 | \$216,088,713 | \$142,120,937 |
| MT | \$44,155,068 | \$95,530,200 | \$176,197,337 |
| NC | \$40,577,496 | \$0 | \$72,106,943 |
| ND | \$21,197,016 | \$76,698,494 | \$143,408,563 |
| NE | \$19,706,664 | \$74,939,491 | \$149,462,106 |
| NH | \$9,046,716 | \$0 | \$0 |
| NJ | \$3,282,276 | \$0 | \$0 |
| NM | \$35,243,244 | \$43,262,499 | \$85,345,666 |
| NV | \$8,859,732 | \$0 | \$0 |
| NY | \$37,931,772 | \$0 | \$0 |
| OH | \$14,766,612 | \$0 | \$0 |
| OK | \$59,899,752 | \$151,393,528 | \$119,521,033 |
| OR | \$37,091,748 | \$0 | \$0 |
| PA | \$25,552,656 | \$0 | \$0 |
| PR | \$145,852,320 | \$0 | \$0 |
| RI | \$0 | \$0 | \$0 |
| SC | \$45,209,328 | \$63,294,482 | \$14,273,046 |
| SD | \$16,806,792 | \$94,709,493 | \$138,214,018 |
| TN | \$27,766,632 | \$15,420,215 | \$14,579,688 |
| TX | \$124,215,300 | \$0 | \$0 |
| UT | \$8,403,012 | \$0 | \$0 |
| VA | \$13,671,552 | \$0 | \$0 |
| VT | \$11,843,472 | \$39,495,205 | \$23,270,357 |
| WA | \$43,494,372 | \$0 | \$0 |
| WI | \$51,445,152 | \$8,180,374 | \$0 |
| WV | \$21,184,260 | \$144,567,554 | \$100,460,881 |
| WY | \$21,358,524 | \$33,083,223 | \$51,622,946 |
| St. DC & PR | \$1,702,569,552 | \$2,114,943,093 | \$2,013,160,003 |

The subsidy amount for each state equals the respective proxy model's statewide cost in excess of of the model generated national average. In addition, the subsidy was calculated using each moc

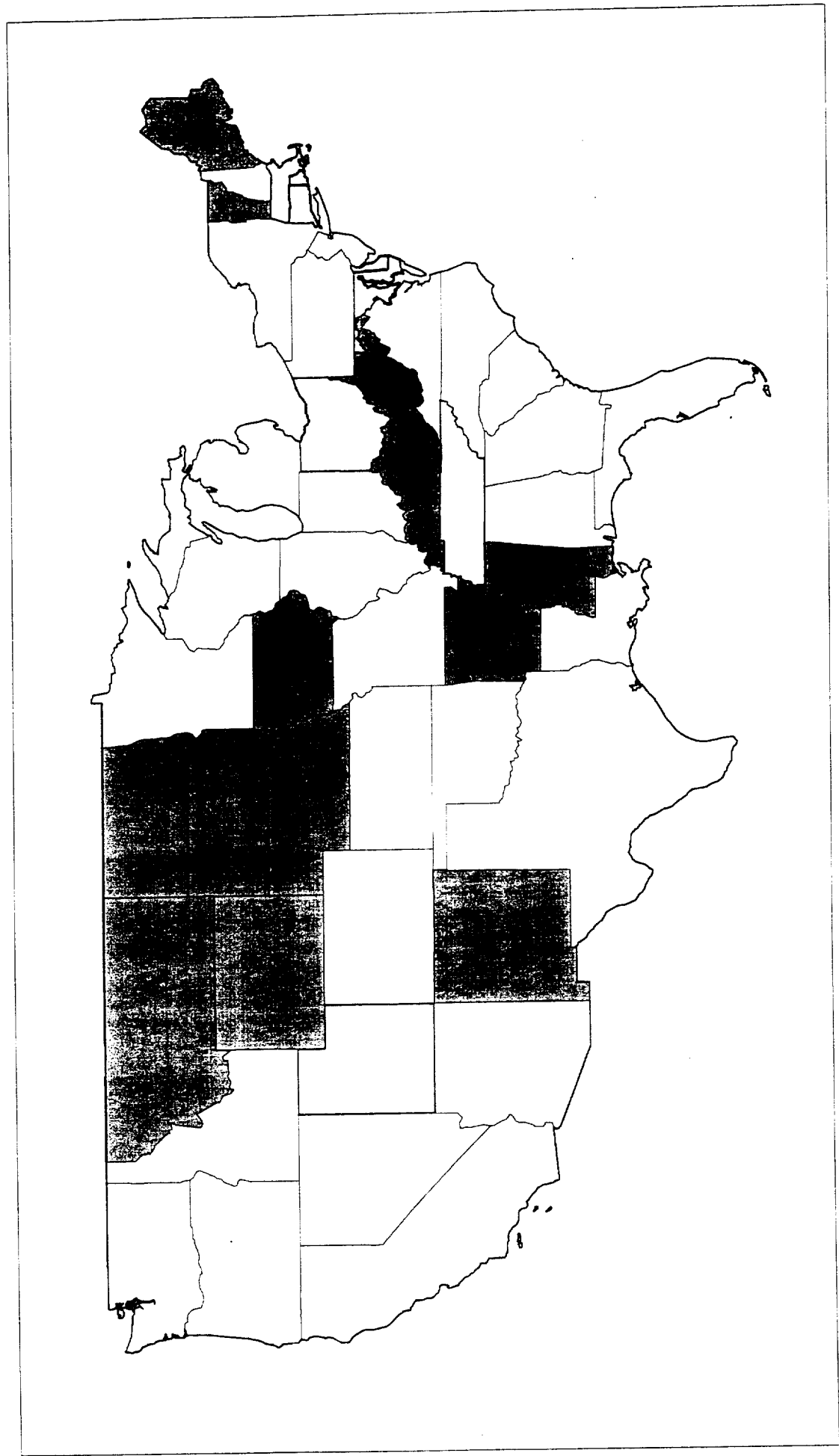
1997 Per Capita Income

National Ranking

| | States | 1997 |
|----|----------------------|----------|
| 1 | Alaska | \$18,272 |
| 2 | West Virginia | \$18,957 |
| 3 | Arkansas | \$19,585 |
| 4 | New Mexico | \$19,587 |
| 5 | Montana | \$20,046 |
| 6 | North Dakota | \$20,271 |
| 7 | Utah | \$20,432 |
| 8 | Idaho | \$20,478 |
| 9 | Oklahoma | \$20,556 |
| 10 | Kentucky | \$20,657 |
| 11 | Louisiana | \$20,680 |
| 12 | South Carolina | \$20,755 |
| 13 | Alabama | \$20,842 |
| 14 | Delaware | \$21,447 |
| 15 | Illinois | \$22,078 |
| 16 | Arizona | \$22,364 |
| 17 | Minnesota | \$22,648 |
| 18 | Tennessee | \$23,018 |
| 19 | Missouri | \$23,102 |
| 20 | North Carolina | \$23,345 |
| 21 | West Virginia | \$23,401 |
| 22 | Indiana | \$23,604 |
| 23 | Texas | \$23,656 |
| 24 | Nebraska | \$23,803 |
| 25 | Missouri | \$24,001 |
| 26 | Georgia | \$24,061 |
| 27 | Kansas | \$24,379 |
| 28 | Oregon | \$24,393 |
| 29 | Wisconsin | \$24,475 |
| 30 | Ohio | \$24,661 |
| 31 | Florida | \$25,255 |
| 32 | Alaska | \$25,305 |
| 33 | Michigan | \$25,560 |
| 34 | Rhode Island | \$25,760 |
| 35 | Hawaii | \$26,034 |
| 36 | Pennsylvania | \$26,058 |
| 37 | Virginia | \$26,438 |
| 38 | California | \$26,570 |
| 39 | Washington | \$26,718 |
| 40 | Nevada | \$26,791 |
| 41 | Minnesota | \$26,797 |
| 42 | Colorado | \$27,051 |
| 43 | New Hampshire | \$28,047 |
| 44 | Illinois | \$28,202 |
| 45 | Maryland | \$28,969 |
| 46 | Delaware | \$29,022 |
| 47 | New York | \$30,752 |
| 48 | Massachusetts | \$31,524 |
| 49 | New Jersey | \$32,654 |
| 50 | District of Columbia | \$35,852 |
| 51 | Connecticut | \$36,263 |

United States \$25,596

Funding Level Impact



Increased

